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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the Kiwanis Club's "Farmers Night," Emporia, Kansas, Oct. 29, 1981

It should not have surprised anyone that the Reagan Administration was going to cause some revolutionary changes in the Federal government. The President outlined his position early in the campaign. He was very precise in telling the people what he intended to do. And the American people—no longer willing to tolerate the fiscal irresponsibility of their government—responded by sending Ronald Reagan to Washington with a sweeping victory.

But it did come as a surprise to many people—especially those in the Washington establishment—when they learned that the President was serious about what he said. Many people, however, could see what was happening. Among those is Austin Kiplinger, who publishes the biweekly Kiplinger Agricultural Letter. Recently, he wrote:

"Tremendous changes this year. . . greatest in several decades. A new President. New Congress. A turnaround in government policies, broader than most people have ever experienced in their lifetime. We're truly having a quiet revolution. The reversal of a trend that began with Franklin Roosevelt in 1933. . . nearly a half century ago. and soon the results will begin to take shape. . . slowly at first. Reagan's new economic program just went into effect on October 1." Mr. Kiplinger's observation was right on target. A quiet revolution was taking place in our government. First came the massive budget cuts. Then the tax cuts. And in a short time, the President has targeted the entire Federal bureaucracy. He probed the many functions, the regulations, and the benefits of this massive bureaucratic machine. And with each he asked: What is the government doing that the private sector should be doing?

The answer to that question was obvious. The need was seen for an enormous shift in responsibility—a shift from the public to the private sector. And I can tell you, without any reservation whatsoever, that this shift is the most important element in the President's plan for our

nation's economic recovery. It will be your actions in the private sector that will ultimately determine the success or failure of this Administration.

Mr. Kiplinger also realized this. He wrote: "For all of us, this will require a rethinking of many plans, both business and personal, to see that they are still on the beam...So this is a good time to begin to reconsider them...to bring them more into line with the changes we can expect from Reagan's program." This is the attitude that I sincerely hope will be taken by the entire private sector. When the American public elected President Reagan last November—they, in effect, made a deal with the new Administration. They said: "We can be responsible for ourselves, our businesses and our communities. Your job in government is to clear the road for us."

Today I want to tell you about some of the things this Administration has already done to clear that road, especially in the area of agriculture. I'll also talk about what we intend to do, and equally important—what we do not intend to do. And lastly, I want to say a few more words about this responsibility that is being given to the private sector.

Here are a few of the things we have worked for, and accomplished:

WE ENDED THE SOVIET GRAIN EMBARGO.

This should have never happened. It put us in a no-win situation, and the results were predictable. During the course of the embargo, total Soviet imports were at the highest ever. Yet, their imports from the United States reached the lowest level since 1977. But, the embargo is now history and we have to gear our efforts toward the future. During our consultations with the Soviets at the end of September, we offered up to 15 million more tons of corn and wheat without further consultation. That's 15 million above the 8 million tons we already agreed to in the sixth year of the agreement and that's only the beginning.

WE TOOK THE LID OFF COMMODITY PRICES.

One of our prime objectives is to create a climate in which farmers will be able to make more of their own marketing decisions. This was not possible as long as the government placed a ceiling on commodity

prices by calling reserve loans. It will take an extreme emergency for me to force farmers to take their grain out of the reserve when the call level is reached.

WE LAUNCHED AN AGGRESSIVE EXPORT PROMOTION PROGRAM

Agricultural exports have been one of the fastest growing segments of the U.S. economy. They are essential to agriculture. The production from a third of our cropland is available for export. In terms of money, that means that this fiscal year we expect exports to reach about \$45 billion. Just how fast this growth will continue depends on U.S. trade policies. The USDA has developed a comprehensive plan for export expansion—a plan that is aimed at increased private participation and less government interference.

WE CUT THE TAX RATE ON INDIVIDUALS.

Not only does this action allow Americans to keep more of the money they earn, but it also recognizes one very important fact: The American people are very capable of spending their hard-won earnings more wisely than the Federal government. Besides the three-year reduction in personal income tax rates, there are other aspects that are as equally important. For example, farm machinery and eligible livestock can be written off over five years, and still be eligible for a 10 percent investment credit. Single-purpose structures can also be written off over five years. Multi-purpose structures can be written off over 15 years.

WE REWROTE THE INHERITANCE TAX LAWS.

This action was long overdue. The exemption level for estate taxes is being increased from \$175,000 to \$600,000 by 1987. In addition, the top estate and gift tax rate has been reduced from 70 to 50 percent by 1985. And most important, the marital deduction has been made unlimited. Estates can now be transferred between husbands and wives—tax free.

WE TOOK STRIKERS FROM THE FOOD STAMP ROLLS.

Students also are no longer eligible to receive these benefits. This program provides vital assistance to the poor of this nation, and we will continue to direct it towards them. We will not tolerate abuses that threaten to undermine the basic thrust of this program.

WE ARE ASKING AFFLUENT CHILDREN TO PAY MOST OF THEIR SCHOOL LUNCH COST.

There is no question that we want to continue helping students from the truly needy families. But we have drawn some new lines so that children from the more well-to-do families are required to pay for most of the meal expense.

WE RESTORED COOPERATIVE RESEARCH AND EXTENSION TO AGENCY STATUS.

Among other duties, the Cooperative Service is responsible for providing financial and administrative support for research programs conducted through grants awarded to educational institutions. And the Extension Service is an extremely valuable tool that assists people in agriculture, home economics, 4-H and youth, rural development and many other related areas.

WE ARE RE-EMPHASIZING THE NEED FOR AGRICULTURAL RESEARCH.

This research has played a vital role in helping American farmers achieve a competitive position in world agricultural trade. We must support the efforts of research across the board. Production research will give us the yields needed to fulfill the future demand. But that is only part of the answer. Of equal importance is the research being accomplished in processing, distributing, and finding new uses for the products that we produce. It all goes hand-in-hand.

WE CREATED BLOCK GRANTS TO GIVE FLEXIBILITY TO LOCAL GOVERNMENT.

These are replacing the categorical grants, which emerged as the Federal government's way of saying that Washington, in all of its wisdom, could best decide what is good for you. The categorical grants

were designed to embrace you with this wisdom of Washington—but in reality they became a stranglehold that squeezed responsibility, accountability, and incentive from the grassroots. The Federal government does not have, nor should it have, the right to tell you how to spend money on your own special needs.

Those are just some of the actions that we have already taken. We intend to do much more.

WE INTEND TO GET INFLATION UNDER CONTROL AND BRING THOSE INTEREST RATES DOWN.

It's going to happen because it has to happen. There's no question about it. But we know that these things are not going to happen unless we can control the free-spending of government—even more than we already have.

WE INTEND TO KEEP CUTTING AT GOVERNMENT WASTE AND SPENDING.

We'll continue until we have eliminated all of the fat and get down to the muscle. The big spenders had their chance. They tried to spend this country into prosperity, and all we got out of it was a trillion-dollar debt. President Reagan has shown us that he has the common sense to recognize this problem. He has the willingness to plan an attack. He makes decisions. And he has shown us that he has the courage to carry out his plans. He keeps his promises.

WE INTEND TO FURTHER REDUCE THE BURDEN OF REGULATION.

One of the first things President Reagan did when he got into office was to appoint Vice President Bush to head the Task Force on Regulatory Relief. Since then, the Task Force has reviewed over 180 regulations, including 172 "midnight" regulations dumped on us in the last days of the previous administration.

WE ALSO INTEND TO ABOLISH THE DEPARTMENTS OF ENERGY AND EDUCATION.

This action will not only provide for budget savings, but it will also help return decision making to the local communities and private sector.

WE INTEND TO RELAX OUR MINIMUM SCHOOL LUNCH STANDARDS.

We did propose some revisions, which we later withdrew. But, we did not withdraw them because they were in error. Both President Reagan and I felt they were in tune with the Administration's philosophy. Unfortunately, they were misunderstood and misinterpreted. We're looking now to clarify those points. The intent and trust will not be changed.

WE INTEND TO INTRODUCE A COMPREHENSIVE SOIL CONSERVATION PROGRAM.

It will be a program that will both encourage and strengthen the leadership of local and state governments. Farmers are already rapidly changing their farming methods so that they can protect this valuable resource. We want to encourage this by providing the right incentives.

WE ALSO INTEND TO ADDRESS THE ISSUE OF FARMLAND PRESERVATION.

Look at it this way. If we maintain the same yield increases that we had in the 1970s, then we would have to cultivate 140 million more acres just to keep up with the projected demand. That means that we will have to take steps to assure that we keep most of the land that is already in production. When the Federal government gives financial support to various construction projects such as highways, airports and dams—it is having a strong influence on farmland conversion. This Administration plans to use that influence in a responsible way.

LASTLY, THIS ADMINISTRATION INTENDS TO SPEAK OUT FOR AGRICULTURE.

We have a President who understands agriculture. He knows what kind of contribution agriculture is making to the economy of this nation. He also knows that agriculture has to continue operating efficiently if it is going to continue contributing to our economy.

I have told you about a few things that we have done, or intend to do. But, what is probably just as important is what we do not intend to do.

Simply stated, we do not intend to do anything that the American public is capable of doing for itself. And we are going to be more responsible as we do those things that the government is responsible for.

That means we do not intend to tell people what to eat unless the research behind our actions is conclusive.

It means that we do not intend to single out farm commodities for export embargoes. We do not intend to do anything that will throw unnecessary roadblocks in your way as you carry on your own responsibilities.

I'd like to end by saying a few words about this new responsibility in the private sector. I admit, it is human nature to be cautious when it comes to change. We have talked about creating changes in the government for years. President Reagan was elected to carry out those changes—and he's doing it. As I said earlier, many people were surprised by this. They suddenly became cautious when they were faced with the cold reality of seeing this change actually take place.

Caution is understandable, perhaps—but we must not let it stand in the way of completing the changes that have to be made. President Reagan is in the midst of doing what you asked him to do. Don't let him down now. Let him finish his work. He needs your support on the Federal level, and he needs you to help carry the ball in your local communities.

The President campaigned on the promise that he was going to let the private sector do those things that the government should not be doing—caring for its own people and its own communities. As I said, this is an enormous shift in responsibility.

If the private sector does not accept this responsibility, then the only alternative will be to return to the way things were. If that happens, the proponents of big government will have the ammunition to make the government even bigger—even more powerful. And the responsibility that was once offered to us, may never again be available. I don't want to ever wake up and find this country in that kind of situation. I don't think that you do, either. I, for one, do not think that people like yourselves will allow that to happen. We're going to whip this problem and I'm anxious and excited about seeing it happen.

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Remarks prepared for delivery by Secretary John R. Block before the Alfred M. Landon Lecture Series, Kansas State University, Manhattan, Kan., Oct. 30, 1981

CLEARING THE ROAD FOR TOMORROW

I was especially pleased about receiving an invitation to the Alfred M. Landon series—for two reasons. First, Governor Landon was—and still is—a strong advocate of agriculture and a firm believer in the free world trade of our farm products. That's enough right there to make me feel at home at K-State.

But, there's also something else that makes this a comfortable situation for me. I know enough about Alf Landon to realize that he was right on target with his theory of how the Federal government should be operated. I'm only sorry to say that it took more than 40 years for a lot of other people to realize the same thing.

We all know what the history books have said about Alf Landon. We have read, of course, that he was one of Franklin Roosevelt's four electoral victims. But history also tells us he was a progressive and capable governor. He was a man who has reflected pride upon this state for over half a century of public life.

Many things have happened in this country during the 45 years since Alf Landon left office. The Federal government changed quite a bit during those years, too. I suspect that most of those changes were caused by those who lacked Governor Landon's shrewd grasp of both the limitations and the potential of American government. They lacked his conviction that government must be competent, as well as compassionate.

It is that quality, among others, that we admire in his daughter, Senator Nancy Landon Kassebaum. And it is that quality—a quality of common sense—that has emerged again in government as we prepare to return this nation to a foundation constructed more than 200 years ago.

We're going to do it, too. In fact, it's happening right now. And I, for one, can say it's one of the most exciting eras in the history of our government.

The Power of Agriculture

I'm here today to speak with you about a subject that is equally exciting to me—agriculture. It's an industry—a way of life—that has always excited me ever since the earliest days on my parent's farm. And today I am excited about being Secretary of Agriculture during a time when my industry is in a position to contribute so much to the renewal of our national economy.

I won't attempt to say that agriculture, alone, will provide all the necessary strength to get this nation back on course. Agriculture does not exist in a vacuum. It is not to be separated from other sectors of the economy. But, I will say very firmly that without a strong and prosperous agriculture, this country will have little hope of recovery. In other words—agriculture is going to make the difference.

I can say that, because I happen to know what agriculture means to the economy of this nation. This single industry accounts for a full 20 percent of our Gross National Product. Some 23 million people are employed, either directly or indirectly, because of agriculture. I also know that agriculture has shown a near \$30 billion surplus in world trade, while non-agriculture has suffered under a \$50 billion deficit.

Figures like those are sending a strong message to me. They're telling me that agriculture is going to make the difference between success or failure of our nation's economic recovery. Those figures present a challenge to me, and to every other person involved in the industry. They're telling us that we've got some serious work ahead of us.

Horror Stories

It should not be news to anyone that agriculture is facing some rather serious problems. Let me list just a few of the horror stories that I found when I went to Washington nine months ago:

Agriculture was suffering from low farm prices! An ill-advised grain embargo! Double-digit interest rates and inflation! Burdensome taxes, including the unfair estate tax! Pages of regulations that had a direct impact on agriculture.

These are problems that have been silently invading our lives over a period of years—and we have to admit that it was our fault. We allowed government to grow bigger, more powerful. It was the direction that

government took mainly because we the people did not demand any other course. The American people either bought or ignored the idea that the Federal government could actually spend our nation into prosperity. We all know what happened. The only thing that we got out of it was a national debt that challenges our imaginations. I'm talking about one trillion dollars. It's an unbelievable figure! A ridiculous figure! It's a monster that has to be stopped.

A New Course

We have to remember, however, that when it has taken decades to get ourselves into a situation such as this—let's not be surprised if it takes more than just a few months to work our way out. The point is that the American people gave the big-spending government the opportunity to succeed. And it failed! Now the American people have demanded a new course, and we're going to follow it.

It's amazing how quickly things can happen in Washington when the people of this country provide their support—loudly and clearly. Just look at what has happened already: We've seen a tremendous reduction in Federal spending across the board, and there's going to be even more. We've received relief on both individual tax rates and the estate taxes. We've accelerated the depreciation schedule for farm equipment and we've created new investment opportunities. Hundreds of regulations, many of which affect agriculture, have been revised or eliminated. We also ended the Soviet grain embargo. I'll talk more about that later.

A Tough Battle

We all realize, of course, that much more work has to be accomplished. Interest rates are still too high, but they are coming down. The inflation rate has dropped from 14 percent to below 10 percent on an annual basis. But, we have to push it even lower. Right now the only figures that I want to see heading upward are farm prices. That's something we're working on.

Even as I speak, we are in the midst of a tough battle over farm legislation. Hopefully, next week the House and Senate will reach a compromise, and we will have a farm bill that is market oriented, producer oriented—and will still provide some form of income

protection for farmers in Kansas and throughout the country. This is what we are looking for, and this is what we hope to achieve. As I said, it has been a long, tough battle—and I'm thankful for the support that we have received from some of the people who were sent to Washington by the state of Kansas. In particular, I'm referring to Sen. Bob Dole and Rep. Pat Roberts of the 1st District for their efforts on the Senate and House Agricultural Committees.

We should realize, however, that when President Reagan talks about reducing spending—agriculture cannot be exempt. Personally, I don't think farmers expect that. Throughout the country, farmers have told me that they want profits and prosperity, but they don't want those things at the expense of the taxpayers. As a farmer myself, I am convinced that the role of government in agriculture is to simply clear the road so that farmers can earn a decent living tomorrow through their own business decisions. I am convinced that farmers want opportunity, and they will accept opportunity.

Exports Important

So—how does the government go about clearing the road for our nation's farmers? One important area involves the expansion of our export markets. I want to tell you how we expect to achieve this, but first let's focus on the reasons why this is so important to the future of American agriculture.

Ten years ago, exports provided only 15 percent of U.S. farmers' market returns. This year it is 25 percent. For crop farmers, exports account for nearly half of their cash returns. We export about 60 percent of the wheat, rice and soybeans we raise. All in all, one-third of all harvested crops in this country is shipped abroad—a total annual volume of nearly \$45 billion. That makes exports important to agriculture. It makes exports important to our whole national economy.

Those who say we are buying oil with wheat are not far from the truth. In short, export expansion provides a clear challenge as we move through the 1980s.

To meet this challenge, the Administration has made the expansion of exports the number-one priority for U.S. agriculture. At USDA, our policy is to expand exports by encouraging increased participation by the private sector and by decreasing Government interference in the

market. We are restricting Government actions to areas where they best support the farm exporter—areas such as providing credit programs, negotiating with foreign governments and buying entities, and market intelligence.

Access Problems

The Administration's views on market access are clear. We are opposed to protectionism and favor freedom to trade. Many foreign markets are difficult to deal with. We have to work hard to get into some countries -- and once we are in, we have to work harder to stay.

Earlier this month I visited the Far East to encourage expansion of our markets in areas such as Korea, China and Japan. I encouraged a liberalization of their import policies. In Japan I also asked that they avoid any further increase in their internal resale price for wheat. My concern is that internal prices set at artificially high levels in Japan will reduce consumption. This is to the detriment of both buying and selling countries.

I also visited the European Community earlier this year and expressed opposition to some of their protectionist trends. I assured the Community ministers that the United States would respond aggressively to the unfair use of taxes and subsidies as trade restraints. Among the issues I raised was the possible expansion of export subsidies that are already costing us markets for wheat, and threatening our trade in other commodities. I also discussed the European Community threats of unbinding the zero duty on corn gluten, the proposed EC internal taxes on vegetable oils that would hurt U.S. soybean exports, and the Community's slow implementation of a 10,000-ton quota for U.S. beef imports that was set by the multilateral Trade Negotiations in 1979.

The European visit produced some successes. First, the Community reaffirmed its commitment to the 10,000-ton beef quota. Secondly, they recently announced that they were not going to move forward on the internal taxes on vegetable oils. I expect more successes in the future.

Also, in the future, we are not going to wait for the problems to arise before we begin to tackle them. We are establishing an early warning system to alert us to restrictionist actions before they pose a serious threat. We are also starting a special government-wide effort to

review trade policies that are objectionable to us, devising strategies to deal with them, and re-establishing the image of U.S. strength in trade policy.

The Department has also stepped up its activities in trade promotion. The President's budget includes an additional \$300 million in export credit guarantees in fiscal 1981. That brings the total guarantees to \$2.3 billion. And we're looking toward another increase in fiscal 1982.

Another important development is the opening of a model demonstration bakery in Beijing, China. U.S. wheat producers have contributed more support to this project than any other single activity in the history of wheat market development. The importance of this bakery is obvious. We expect that this bakery will be a solid starting point in creating a familiarity with, and need for, U.S. wheat in the Chinese market.

Public Law 480

When talking about export expansion, I would be remiss if I did not mention our food assistance programs. The United States has carried out a bilateral food aid program since 1954. It was then that our Congress enacted Public Law 480 under the leadership of President Eisenhower. Since then, the United States has contributed almost \$40 billion in food aid to nations in need.

Keep in mind that the P.L. 480 programs have played a very important role in building new markets for American exports. The number of nations graduating from this program to buying U.S. food exports commercially continues to grow. In fact, as we look back at the export figures since the inception of this program, we can see that there has been no period in American history in which we have done as well in our agricultural exports.

The question may arise as to whether there is actually a demand for our products in the world—a demand great enough to justify our export expansion activities. The answer is: Yes, there will be a market. All facts considered, we see a continuing increase in world demand for food, feed and fiber. In fact, we expect the demand for products in the eighties to be 25 to 50 percent greater than in the seventies.

Developing countries and the USSR seem most likely to have larger food deficits.

Soviet Imports

This is especially important as we look toward the Soviet Union. We know that they have not built reserves, and I think they will be importing at their maximum. We've come a long way in re-establishing trade relations since President Reagan ended the grain embargo this past April. The embargo put us in a no-win situation, and the results were predictable. During the course of the embargo, total Soviet imports from all sources were at their maximum—the highest ever. Yet, their imports from the United States reached the lowest level since 1977. We never fully recovered from the damaging effects on farm prices.

But, the embargo is behind us and we have to set our vision on the future. The first big step came when we successfully negotiated a one-year extension to the five-year trade agreement. Another important step was our consultations with the Soviets at the end of September. At that time, we offered the Soviets up to 15 million additional tons without further consultations. That's 15 million above the 8 million tons already assured in the sixth year of the agreement.

What is more important is that the Soviets have purchased nearly 9 million tons already during the sixth year of the agreement. They have purchased about 10 million tons of corn and wheat total, from the time they re-entered the U.S. grain market after the embargo was lifted. I think they're going to take what we offer. And then we're going to talk with them about still more sales next spring.

Research Is Important

Now, let me change gears and talk to you briefly about some domestic actions we are taking to help clear the road for agriculture. First, let's talk about research.

As a farmer and former Director of Agriculture in Illinois, and now as Secretary of Agriculture, I have been impressed with the role played by Kansas State in agricultural research. Your international grains program in the processing, handling and storing of grains has helped train thousands from abroad. And your food and feed grain institute

has expanded the technical know-how of American agriculture so that it is available to other nations. You should be applauded for these efforts.

I have always been a firm believer in research. It has played a vital role in helping American farmers achieve a competitive position in world agricultural trade. That is why I, as Secretary of Agriculture, have pledged to support and maintain the research efforts within the USDA. This means that we must support the efforts of research across the board.

Production research will give us the yields needed to fulfill the future demand in the world. But, production research is only part of the answer. Of equal importance is the research being accomplished in processing, distributing and finding new uses for the products that we produce. It all goes hand-in-hand.

Conservation Program

Of course, another important area involves our conservation efforts. Just this past Wednesday I introduced a comprehensive soil conservation program to Congress. It's a program that will both encourage and strengthen the leadership of local and state governments.

The plan calls for targeting a greater share of the USDA program funds and personnel to more critical problem areas in the country. It also would provide Federal matching block grants to states for conservation efforts.

I want to emphasize that many of our nation's farmers are already changing their farming practices in an attempt to conserve our valuable topsoil. They are fully aware of the consequences of severe erosion. But, it cost money to control erosion in many areas. That's why part of our plan is to evaluate tax incentives to encourage greater use of conservation systems. We also want to emphasize technical and financial assistance to farmers installing those systems.

The Public's Responsibility

I've given you some idea of how I see government clearing a path for agriculture to move forward during the eighties, and beyond. Now there is one final thought that I would like to leave with you today. It is this:

We have embarked on a crusade in Washington, the likes of which the nation hasn't seen in this century. We have a President dedicated to decreasing the size of government, reducing our taxes and curbing overzealous regulators. But he needs help—your help. Don't underestimate for a minute what you can do—what the combined will of the American people can achieve. You made your views known loudly and clearly in the case of budget reforms and tax cuts. It worked then! It can and will work again!

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by John R. Block, Secretary of Agriculture, before the Committee on Agriculture, Nutrition, and Forestry, United States Senate, Washington, D.C., Oct. 28, 1981

Mr. Chairman and Members of the Committee,

I appreciate the opportunity to report to this Committee on the proposed soil and water conservation program of the Department of Agriculture. This is the program that the Department of Agriculture is required to develop under the Soil and Water Resources Conservation Act of 1977 (RCA). Your Committee has a long history of support for the conservation and wise use of our land and water resources. At my confirmation hearing, we discussed soil and water conservation needs, and later I committed myself to deliver a program to Congress by the end of this year. As you can see, I have not waited until the very end of the year. We have advanced the schedule, and our preferred program will be made available tomorrow for public review and comment.

Meanwhile, your Committee has approved some conservation initiatives that have been adopted by the Senate in their Farm Bill. You have not waited, either. I hope we can work together in a constructive spirit on new directions that are necessary to attack the Nation's soil and water conservation problems. Before I discuss the provisions of our preferred program, I would like to outline the process which led to its development. Most of the data collection and analysis, along with an extensive consultation of public views, had been completed before I assumed my post as Secretary of Agriculture. It then fell to me to complete the most important step in the RCA process—formulating a recommended program and Statement of Presidential Policy which would address the soil and water conservation needs identified by the RCA appraisal.

The first step was to become familiar as quickly as possible with the tremendous volume of work that had already been done. My top staff and I reviewed with our soil and water conservation specialists the data and findings of the National Resources Inventory, the assumptions and

projections used to identify future agricultural needs, the options available for meeting those needs, and the public's comments thus far about soil and water conservation programs and strategies. The public, I should add, has contributed immensely to the process of program development. More than 1.5 million comments on draft documents were received, and a public opinion poll of over 7,000 citizens was conducted. We find that the public is becoming increasingly concerned about soil and water conservation programs, and this should help achieve more effective action.

Parts I and II of the RCA Appraisal had been completed and were before us. Part I reports on the present status and condition of the Nation's soil, water, and related resources. Part II analyzes the use of these resources in the future under different levels of demand for our food and fiber both at home and abroad.

We considered all of this material in the light of the philosophies and initiatives of the present Administration. We recognized the need to be consistent with the views and policies of the President as set forth in his economic recovery program; namely that first, we seek to reduce Federal spending so that we can lower taxes in order to stimulate capital investment, create new jobs, and take control of inflation which threatens our economic well-being, and second, where possible, we emphasize problem-solving at the local and State levels rather than at the federal level.

We then began the process of formulating a realistic program from our data—a program that was responsive to the needs, yet responsible in view of the economic situation. We identified key alternatives, considered the public comments that had been made, and developed a preferred program. This document, which contains over 130 pages, will be announced tomorrow and made available for public review and comment through January 15, 1982. After we receive and consider these comments—and that includes the comments of those who serve on this Committee—the Administration will formally prepare and the President will submit to the Congress a final recommended program and a Statement of Presidential Policy, as provided for in the Act. To summarize our document, it lays out the facts of our soil and water situation today and probable future trends. It evaluates the existing programs of our Department in soil and water conservation. It sets

long-range and short-range performance goals. It outlines three different alternative program approaches, and it sets forth a preferred program alternative. The RCA appraisal underscores the fact that the Nation faces a number of serious resource problems. These problems could threaten our ability to produce the agricultural products we will need in the future. These problems include:

- A potential for tremendous pressure on America's soil and water resources now and in the future, caused by substantial increases in demand for agricultural products, both for domestic and export markets.

- Soil erosion that is reducing productivity on 141 million acres of cropland, one of every 4 acres we farm. Over the next 50 years, this productivity loss could equal the output from 25 to 62 million acres of cropland. Stated another way, this means that we would give up forever the production of 50 to 75 million metric tons of grain every year. That's half the grain we exported last year.

- Projected steadily increasing upstream flood damages to cropland, pasture, and urban lands, which could reach \$2.3 billion by the year 2000. These damages affect rural people and communities that can least afford the damage. These effects alone could bring a significant increase in the cost of producing and buying food and fiber. But the list of America's natural resource problems continues:

- On 60 percent of the Nation's nonfederal rangeland, erosion and other deterioration are damaging the resource base, sharply reducing its productive capacity. This land is producing forage at less than half its potential. That means that potentially 600 to 800 million pounds of red meat aren't being produced every year.

- A considerable amount of ground water being withdrawn for irrigation is not renewable. In some areas, water is being withdrawn for much faster than recharge can take place naturally. This so-called "ground water mining" is depleting the Nation's water supply at a rate of 21 billion gallons per day. In some areas, ground-water levels are falling 7 to 10 feet per year.

These are serious problems of great consequence for this Nation. They affect farmer, rancher, businessperson and consumer alike. They need attention if we are to keep agriculture viable and protect and maintain a resource base that is able to provide food and fiber for future

generations. We need to identify the most pressing and urgent problems and take the most effective action that we can devise to address them.

Priorities for Soil and Water Conservation Programs. The preferred RCA program establishes national priorities based on these problems and the public's views. In order, these priorities are:

(1) To reduce excessive soil erosion that would impair agricultural productivity

(2) To reduce flood damages in small, upstream waterways

(3) To conserve water, enhance water quality and supply, and conserve community-related natural resources

(4) To improve fish and wildlife habitat and increase the use of organic waste.

These priorities clearly reflect our commitment to spare the agricultural productive capacity of this Nation from the ravages of excessive soil erosion. If we can carry out the first and second priorities—fighting both erosion and upstream flood damages—we will go a long way toward achieving the other priorities. But during this time of economic constraints, we must make choices. We cannot give as much attention right now to the other priorities as we must to the first two—erosion and flood damage.

Existing Programs Need Change

During the RCA process, we also studied how effective our present conservation programs in USDA have been. A substantial number of studies have been made over the years on this by the General Accounting Office, Committees of Congress, and USDA itself.

But thanks to the RCA process, we have had a new chance to look at our programs comprehensively and critically. The Act called for a fresh look, in the light of present and future needs, at more than four decades of soil and water conservation programs in our Department.

The soil and water conservation programs that have evolved during the last 45 years have assumed that farmers, ranchers and other resource users are generally motivated to practice sound conservation methods, but that some may not be doing it for financial reasons or because they do not have enough information. Today, other factors in agriculture play a significant part.

The costs of production on farms have increased faster than commodity prices, reducing net income per unit of production. Dramatic increases in land prices have made the cost of starting and maintaining a farming operation skyrocket. Trends in farm ownership show that we have fewer owner-operated farms every year. The traditional motivation to practice soil and water conservation in stewardship of the family property for future generations is not as prevalent, and our conservation programs have not reflected this.

Agriculture has become more intensive and concentrated on the soils of specific food-growing regions. Our entire Nation is more and more dependent on these regions for its primary food supply. Existing conservation programs do not fully reflect the beneficial consequences that natural resource conservation has for our total food-dependent society.

Such factors clearly tell us it is time to shift away from the traditional style of program delivery. We can no longer afford soil and water conservation programs that serve on a random "first come, first served" basis. The first step, as I have said, is to set an order of priorities. Soil erosion and upstream flooding head the list.

Our programs, whether technical assistance, cost-sharing, loans, research, or education, should now have these clear priorities.

We should set clear objectives over the short and long term to mark our course and enable us to chart our progress.

We should identify areas of the Nation that have the most critical soil and water conservation needs and target more program efforts to those areas.

And we should move ahead to improve the federal-state-local partnership in conservation. Conservation systems may work in one area but not in another. Oftentimes local people come up with the best ideas for their county. So we should provide more latitude for selecting conservation systems adapted to local needs as well as national needs. If we foster more local involvement in program decisions, our programs will be better accepted and more effective.

Above all, we are convinced there is a need to expand and strengthen the decisionmaking and funding role of local and state government in cooperation with our federal efforts. Response from the public was positive on this point. And we can see an excellent track

record developing in our states and localities. While our federal conservation programs total over \$800 million a year in Federal funds, nonfederal sources of funding for resource conservation programs have been growing in recent years. Close to \$200 million annually is raised and spent by state and local governments for technical assistance and cost-sharing. Therefore, we need a strategy of encouraging more states and localities to take action. We think this strategy can and must work. It led us to our decision to include matching block grants to the states in our preferred program. We believe the priorities should be identified at the local and state levels to guide the decisions we arrive at here at the Department of Agriculture. The program alternative we have recommended is built around a stronger local, state, and federal partnership for soil and water conservation.

I would like to say a word about "cross-compliance." This is a concept that has stimulated intense debate. It would tie soil and water conservation performance to participation or benefits in specified USDA programs.

One form of cross-compliance would make adequate conservation performance a condition for eligibility for a USDA program or programs. An alternative form would provide added benefits from specified programs to land owners and operators who met or exceeded locally adopted standards.

Cross-compliance, especially the first version, has had a general lack of public support. Administering a cross-compliance provision would be difficult, and its effectiveness in accomplishing conservation objectives could fall short. Yet the majority of the public who commented on this strategy felt it would result in more effective soil and water conservation. We propose trying it in some form on a limited, pilot basis in the Farmers Home Administration loan program. Another approach that has been proposed is tax incentives. There is already a special incentive in the tax laws for conservation improvements to the land. An active farmer may take his conservation improvements to his land as a tax deduction in the year he makes the improvement. This deduction is limited to 25 percent of the farmer's gross income. There are two limitations with this: first, only an active farmer may take advantage of this tax break, not a cash-rental landlord. Active farmers who do not own the land they farm are not always motivated to

improve the land for conservation, even if there is a tax incentive. Cash-rental landlords, who might be better motivated to improve the land and are often in high tax brackets, cannot take this deduction if they improve their land. Second, the deduction is limited to 25 percent of the farmer's gross income in a single year, and will not help a farmer in a low tax bracket very much.

Senator Jepsen, the Chairman of the Subcommittee on Soil and Water Conservation, has introduced a bill, S. 569, which has 23 cosponsors. It provides a tax credit of 10 percent for conservation expenditures that may be taken either by an active farmer or a cash-rental landlord. The active farmer could still elect to take his deduction under existing law instead of his credit. The Treasury Department presented the Administration's position in opposition to S. 569 at hearings before the Finance Committee on October 23. Other bills have been introduced by Senator Grassley (S. 1561) and Representative Tauke (H.R. 4411). We are still studying various proposals, and of course we must coordinate our views with the Department of the Treasury and the Office of Management and Budget. We want to be sure that tax incentives will truly create conservation measures that would not be created otherwise. You can be sure we will continue to consider these proposals between now and the time when the President sends our final program to Congress.

Preferred Program Highlights

To sum up, USDA will offer to team up in a strengthened and expanded partnership with local and state governments. This is how it will work:

—Soil and water conservation programs reflecting local conditions, needs, and priorities will be prepared at the county or multicounty level in each state. A local conservation coordinating board will develop and implement these programs using guidelines from the state government and information and assistance from local representatives of USDA agencies.

—We envision similar actions at the state level. A state conservation coordinating board, organized under procedures provided by state government, will use the local programs and priorities in preparing a state program and establishing state priorities. State-level

representatives of USDA will advise and assist this state board. The Governor will designate a state agency to administer the program in cooperation with local and federal agencies.

—The state program will become the basis for an agreement between the Governor and the Secretary of Agriculture. The agreement will establish closer cooperation between the state government and USDA. USDA agencies will provide assistance to the state government and to its citizens according to the local and state priorities.

—This agreement will also provide a basis for USDA matching block grants to help states accomplish the activities agreed to by the Governor and the Secretary. These grants will supplement local and state funds.

—The Secretary will appoint a USDA National conservation Board according to recommendations provided by State Governors. This board will advise the Secretary on needs and priorities for the USDA conservation program, review requests from states for matching grants, and recommend actions.

—Conservation programs at all levels will feature targeting actions on the most critical problems while maintaining the conservation practices already established on all lands. This focus on high-priority problem areas in concert with emphasis on cost-efficient conservation activities everywhere should provide for the best results in protecting the productive capacity of our soil and water resources.

—The targeting process will emphasize those measures that provide cost-efficient solutions to resource problems. For example, we will encourage conservation tillage methods to reduce excessive erosion on cropland. We will concentrate our actions to reduce flood damages where the average annual losses are high and where solutions are not excessively costly.

—Long-term agreements will be used more extensively and on a nationwide scale to assure timely and orderly planning and installation of conservation methods. These agreements will help to assure that needed practices are established and maintained as we strive to protect the productive capacity of agriculture for the future.

—New technology frequently provides better solutions to persistent resource problems. Pilot projects and special studies will test and

evaluate new ideas for solving these problems. They can help us design more effective conservation programs in the future.

—The program actions proposed—including reliance on increased use of conservation tillage methods for erosion control—highlight the importance of research and education. We must develop solutions for a variety of concerns and determine what effects those solutions will have. Research and education will be targeted to major resource problems and areas.

—The Farmers Home Administration will develop policies that require borrowers to have a soil and water conservation plan to be eligible for farm ownership or soil and water conservation loans. The local conservation coordinating board will determine the adequacy of the plan. This will signal a new level of concern for soil and water conservation in other USDA programs.

—Objectives and administrative procedures are sometimes inconsistent among programs. The preferred program calls for USDA actions that will minimize those features of programs that limit achievement of conservation objectives.

—Tax incentives, as mentioned previously, may provide additional encouragement for farmers to adopt conservation methods. While the recommended program offers no specific initiatives using tax incentives, it does provide for study and some pilot testing in lieu thereof to determine the effectiveness and feasibility of various incentives.

—We also propose to strengthen our capability to collect and analyze data, to evaluate existing programs, and to propose new programs. Programs are usually no better than the data and analysis used in designing them.

—USDA agencies will coordinate the preparation of their budgets to avoid duplication of effort, eliminate program features that work at cross-purposes with one another, and ensure that the Department's priorities, objectives, and policies are met.

Effects of the Preferred Program

The preferred program provides for more conservation than we could expect if current programs and trends were continued. This program will reduce gross annual soil erosion, helping to maintain our

long-term agricultural productive capacity. We will have a net loss of topsoil, regardless of which program we adopt, but the one we recommend will slow the rate of loss compared to the other alternatives.

I must warn you that the preferred program is not a cure-all. There are too many problems and needs, and the costs of solving them would be excessive for the present state of the national economy. The preferred program is, however, an early-action plan geared to the highest-priority needs. It provides a foundation for solving other problems later on as economic conditions permit. Our ultimate objective is to assure that we have enough soil and water resources to meet our future needs for food and fiber at a reasonable cost. This program is a vital first step toward that objective.

Conclusion

In conclusion, the RCA process has given us the most complete and the most reliable appraisal and analysis of the Nation's soil and water resources ever developed. A strong agricultural economy will have to support a strong soil and water conservation program. Farmers and ranchers must make a profit if we expect them to make substantial investments in soil and water conservation. In our overall farm program and economic recovery program, we are striving to bring back the profit to the farmer and rancher. But in the delivery of soil and water conservation services by the Department, our preferred program will bring some long-needed changes. We welcome input from this committee on our proposal.

Mr. Chairman, I will be glad to answer questions about the program or furnish any further information needed by the Committee.

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News Conference

U.S. Department of Agriculture • Office of Governmental and Public Affairs

The following are edited excerpts from Secretary Block's Oct. 29 news conference in Washington, D.C.

The subject of today's conference is our concern about soil erosion in the United States and the ways to improve soil and water conservation approaches to the problems.

Yesterday, we announced some of these problems and approaches before the Senate Agriculture Committee. This program involves a partnership we have not seen before between the states and local communities on one hand and the U.S. Department of Agriculture on the other.

It will be a coordinated effort that is going to require all USDA agencies to work together, including the Soil Conservation Service and the Agricultural Stabilization and Conservation Service.

It means the Extension Service will play an important educational role in working with farmers across the country to formulate practices that will save our soils.

It means we will use a research effort to find ways to improve conservation and will work with industry to find new machinery and equipment to help this effort. This is a special project in the experimental stages.

In targeting some of our more critical problems, it will mean a block-grant program to the states, and they in turn to the local communities.

Do you have questions?

QUESTION: You spoke yesterday about the funding levels from federal monies, and, apparently, the soil conservation levels are cut. How is the block grant going to solve this problem with less money?

ANSWER: We have not necessarily been projecting less money. The new program I am suggesting will not be in place in 1982 because we have not gotten through the comment period. Therefore, in the 1982 budget, we will have the same program we have had in the past.

By Jan. 15, 1982, we will have the comments in, and will then talk to Congress about legislation that we hope will be in place for 1983.

Q: You said yesterday you didn't envision needing any new monies, that it would require shifting money. Do you know how that will work?

A: We will be shifting some monies from the existing programs, but I'm not saying existing programs will be eliminated. We do feel we should target or move some of the money in existing programs into this new program because it addresses the immediate problem we have in a way other programs do not.

I think existing programs address the long-range problems, but we need to take immediate action in some areas, action that is the most cost effective.

We know that some of our programs—such as building terraces—are extremely costly. We need to look for means of getting a more cost-effective programs, and by working with the states and through the states we are going to be able to encourage state and local participation.

Recent history tells us there's been more money flowing into these programs from the states and local governments because they are beginning to appreciate the magnitude of the problem.

Q: Can you tell us about cross-compliance in the program?

A: I'm not sure I want cross-compliance in this program. We expect that farmers participating in soil and water conservation loans or in the Farmers Home Administration loan program will be following optimum soil conservation programs. There also is the possibility that farmers who qualify for a regular farm program would be required to practice minimum soil conservation.

An alternative might be that farmers be given a higher loan rate and higher price supports in return for practicing minimum soil conservation practices.

My personal preference is that there should be some obligation on the part of farmers in terms of soil conservation before they receive benefits from federal government programs, but I'm not sure that should be cross-compliance.

Q: You said FmHA loans might be tied to cross-compliance. That would deplete the land as well as causing worse erosion problems, because of the expansive measures it takes, and would discourage ownership of land and encourage tenants. Do you see this as a problem?

A: I'm not sure it will discourage land ownership. I'm not sure what you are saying is true. But if a farmer is going to buy land and mistreat it, I'm not sure we would encourage that kind of ownership with heavy government loans.

Q: Could you outline the existing programs from which you are going to get some of the money?

A: We have three primary sources: Soil Conservation Service programs, the Great Plains conservation program and the agricultural conservation program. Perhaps we could scrape more money together from other sources.

How fast this fund will grow will depend on how fast the states are willing and able to put together acceptable plans.

Q: You've said soil erosion is a serious problem. Many states' budgets are already strapped from the additional cutbacks in federal programs, and there seems to be a real problems as to where the states with real erosion problems are going to get money. Isn't this a problem?

A: I can't predict.

Some states, such as Iowa, have programs already in place. Our plan means the federal government has recognized there is a role for the states and wants to encourage the states to work in partnership to solve the problems.

We concede that some states that haven't already made a commitment probably will be obligated to make some kind of commitment.

Q: Won't soil erosion become much worse because farmers are putting land into production that shouldn't be farmed?

A: I wouldn't say there is a great amount of land currently being farmed that should not be farmed. In other countries they are farming on land is much steeper than ours.

We are not artificially supporting land and encouraging lands be farmed that never should be in production. I think land comes under production as a natural process, the result of more natural demands. As market forces demand, it means there is a real need for what we are producing. Because it's coming into production under natural forces, we have obligations to work with farmers and to work to find ways of protecting the soils.

I'm not convinced it can't be done. I think it can be done.

Q: Is there anything in your program to indicate who will get a greater share of the money or critical problem areas? Do you have a priority list of areas, or can you give us some examples?

A: There is a list of the most critical problem areas. This list could be divided first into the critical states and then subdivided within these states. The states will have to decide their own most critical areas.

Q: Many soil conservation experts have argued we are not spending enough money on soil conservation. Your program calls for additional spending by shifting money. Won't that limit quite severely what the program will accomplish?

A: It's true that if we spend vast sums of money, we would be able to do more, but I think we have to be realistic.

We don't want something that could never be approved during a time of severe budget restraints. We tried to write a proposal that we could recommend and which was practical and has a chance of achieving some good results under current conditions.

Q: You say its important to get soil erosion problems down to acceptable limits to maintain productivity. But you say that to do so now would be excessively prohibitive from an expenditure standpoint. This seems to mean we've got to stop erosion, but we can't, and we're on the downhill on productivity.

A: The cost would be horrendous if we thought we could buy our way out of soil erosion problems overnight. It could be done, but I don't think we could have a crash project. We can't afford it.

I think its a tribute to the administration that we are attacking a problem we think is serious. At the same time, the tools for attacking can be something more effective than money.

What we are really going to do is mobilize the resources of USDA with the states and local soil and water conservation districts and the farm organizations and the farmers of this country who have been concerned about their land. If we attack that way, we probably will get better results than throwing lots of money at it.

Q: There aren't many details in your conservation plan. Why?

A: We don't want to tell people all the details because we want them to give us those details.

Q: When congressional conferees take up the farm bill, you have said you prefer the Senate version. What if they split the difference between the Senate version and the more liberal House version. Would you veto that?

A: If they split the difference, it wouldn't look good to me. I assure you the House version is excessively expensive. Besides that it has all kinds of automatic releases and automatic set-asides and formulated controls, entirely flying in the face of this administration's philosophy of freer agriculture and market agriculture.

Q: Would you recommend a veto of this bill?

A: I would have to see the specific situation we are talking about. I would not hesitate to veto it if it looks too expensive and looks like too much government control.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA'S 'OUTLOOK '82' TO FEATURE AGRICULTURAL POLICY, COMMODITY PROSPECTS

WASHINGTON, Oct. 23—U.S. agricultural policy directions and the outlook for agriculture will be featured at "Outlook '82," the U.S. Department of Agriculture's 58th annual agricultural outlook conference here, Nov. 2-5.

Key government officials and leading analysts from outside the federal government will explore issues affecting economic conditions, agricultural production, marketing and trade, said Terry N. Barr, conference steering committee chairman and acting chairman of USDA's World Agricultural Outlook Board.

"Most of the four-day conference will be devoted to the commodity and agricultural outlook for the coming year and specific challenges American agriculture faces. These include domestic and international marketing, land and water use, agricultural research and technology and potentials for growth, and the role of electronic information sharing," Barr said.

Several sessions will feature topics related to human nutrition, family living and rural development.

Secretary of Agriculture John R. Block will open the conference Nov. 2 at 1 p.m. Treasury Secretary Donald T. Regan is scheduled to present the world and U.S. economic outlook at the opening session.

On Nov. 5, Deputy Secretary of Agriculture Richard E. Lyng, Assistant Secretary for Economics William G. Leshner and Sen. Richard G. Lugar (R-Ind.), a member of the Senate agriculture, nutrition and forestry committee, will discuss policy issues for the '80s.

During the week, USDA officials will present the outlook for agriculture and trade with commentary from representatives of educational institutions and a variety of agricultural interests.

"The outlook conference is USDA's single most important forum for the release and exchange of outlook information on a wide variety of topics, including world and U.S. agricultural production, utilization

and trade, general economic conditions, farm income and credit, rural development, nutritional and dietary concerns and policy issues," said Barr.

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SEPTEMBER CONSUMER PRICE INDEX RELEASE REFLECTS SMALL FOOD PRICE RISE

WASHINGTON, Oct. 23—Lower fresh fruit and vegetable prices last month held the rise in the September consumer price index for food to 0.2 percent (before seasonal adjustment), according to Assistant Secretary of Agriculture William Leshner.

"The September increase in food prices brought the food CPI to a level 6.5 percent higher than a year earlier," Leshner said.

Downward pressure on farm and wholesale commodity prices in recent months and seasonal increases in foodstuffs supplies in the fourth quarter will continue to dampen retail food price rises, Leshner said. As a result, the farm value of foods will contribute little to food price rises through the end of the year, so that higher food marketing costs will be the primary cause of fourth quarter increases.

Consequently, monthly changes throughout the quarter are not expected to exceed half a percent on a nonseasonally adjusted basis, with seasonal adjustment adding 0.3 to 0.4 percentage points per month.

"These increases," Leshner said, "will bring the 1981 rise in retail food prices to about 8 percent, thereby moderating the general inflation rate for the sixth time in the last seven years."

The U.S. Department of Labor's Bureau of Labor Statistics released the September consumer price index today.

"Food prices at grocery stores were up 0.1 percent, the smallest increase since last May. Prices for meals purchased away from home rose 0.4 percent, reflecting slackening demand due to declining real incomes," Leshner said. "Fresh fruit and vegetable prices fell 3.0 percent in September due to larger production and lower prices for apples, oranges, potatoes, and tomatoes."

Regarding prices for other foods, higher marketing costs pushed prices for cereals and bakery products up 0.6 percent. Meat prices rose 0.5 percent due to declines in cattle and hog slaughter. Egg prices were up 6.3 percent as production fell. Dairy products prices rose 0.2 percent, a consequence of large milk production.

The CPI for fats and oils fell 0.3 percent, reflecting large supplies. The sugar and sweets CPI was unchanged as increased global sugar production this year continues to put downward pressure on sugar prices. Large world coffee production this year pushed coffee prices down again and held the increase in the nonalcoholic beverages CPI to 0.1 percent.

Large supplies of many foodstuffs and feed grains and a smaller expected general inflation rate will keep downward pressure on food prices into 1982. Higher food marketing costs will be the primary cause of retail food price increases with labor costs playing an important role. Several factors, however, suggest that increases in employee wages and benefits will slow next year. For the first time in 5 years, the minimum wage—which mainly affects workers in the food service industry—is not scheduled to increase in 1982. Moreover, increases in employer contributions to Social Security will be much smaller than those this year.

September Retail Food Prices, Percent Changes for Selected Items

Items	August to September 1981		
	Not	Seasonally	September 1980
	seasonally adjusted	adjusted Percent change	to September 1981
All food	0.2	1.0	6.5
Food away from home	.4	.6	8.6
Food at home	.1	1.2	5.5
Meats	.5	2.2	2.2
Beef and veal	.4	2.9	-.1
Pork	1.2	*	6.9
Poultry	-1.1	-.2	-2.7
Eggs	6.3	8.1	4.9
Fish and seafood	1.6	*	8.0
Dairy products	.2	.0	5.9

September Retail Food Prices, Percent Changes for Selected Items Continued

Items	August to September 1981		
	Not	Seasonally	September 1980
	seasonally adjusted	adjusted Percent change	to September 1981
Fats and oils	-.3	-.4	10.2
Cereals and bakery prods.	.6	*	9.6
Fruits and vegetables	-1.6	1.5	9.4
Nonalcoholic beverages	.1	1.0	2.4
Sugar and sweets	.0	.8	.1
Other prepared foods	.4	*	10.1

* = No seasonally adjusted index available.

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CATTLE QUARANTINE REDUCED AT TRUMAN ANIMAL IMPORT CENTER

WASHINGTON, Oct. 26—Effective Nov. 25, U.S. Department of Agriculture will reduce the time that imported cattle must be quarantined at the Harry S. Truman Animal Import Center in Key West, Fla., from five to three months.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said the shorter quarantine is sufficient to allow for the necessary observation and testing of the animals. It will permit a substantial reduction in the fees charged for testing and maintaining the cattle during the quarantine procedure.

"On the basis of two previous importations of cattle through the center, we know that we can complete the tests and assure the health of the livestock within the 90-day period," Atwell said.

Atwell said in addition to quarantine at the high security facility, located on an offshore island, the imported cattle are tested and examined in the country of origin and held in a USDA-approved isolation facility in the foreign country before they are delivered to the port of embarkation under USDA supervision.

The Harry S. Truman Animal Import Center was specifically developed to provide a safe means of importing new breeding livestock from countries where foot-and-mouth disease is known to occur. Previously, USDA officials had barred all direct imports of susceptible livestock from affected countries.

The new regulations for quarantine at the Truman Animal Import Center will apply to cattle that will be selected for importation within the next few months. Up to 400 cattle can be handled at the center during each importation, being admitted, tested and cleared for entry as one lot.

The new regulation is scheduled for publication in the Oct. 26 Federal Register.

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FEDERAL GRAIN STANDARDS ACT ADVISORY COMMITTEE TO MEET NOV. 13

WASHINGTON, Oct. 26—The first meeting of the recently formed U.S. Grain Standards Act Advisory committee will be held here Nov. 13.

The meeting, which is open to the public, will start at 9:30 a.m. in room 5066 of USDA's South Building, 14th and Independence Ave. S.W., and is scheduled to end by 4 p.m.

Although the meeting is open to the public, participation by persons other than committee members will be limited to written statements submitted before or during the meeting. The chairman will open the meeting to public participation as time permits.

C. W. McMillan, assistant secretary of agriculture for marketing and inspection services, said the purpose of the committee is to advise the U.S. Department of Agriculture's Federal Grain Inspection Service on the efficient and economical implementation of the U.S. Grain Standards Act.

McMillan will serve as committee chairman and Kenneth A. Gilles,

administrator of the Federal Grain Inspection Service, will serve as vice chairman.

Notice of the meeting will be published in the Oct. 26 Federal Register.

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LEO V. MAYER APPOINTED ASSOCIATE ADMINISTRATOR OF FOREIGN AGRICULTURAL SERVICE

WASHINGTON, Oct. 26—Secretary of Agriculture John R. Block has appointed Leo V. Mayer associate administrator of the U.S. Department of Agriculture's Foreign Agricultural Service.

Mayer will be responsible for administering the commodity-statistical analysis and trade policy functions of the agency.

The new USDA executive was senior specialist for agriculture with the Congressional Research Service, Library of Congress, from 1979 until 1981, as well as during 1974-78.

From 1978 until 1979, he was senior staff economist with the office of the special representative for trade negotiations, Executive Office of the President. He was senior staff economist, Council of Economic Advisors, Executive Office of the President, from 1972 until 1974.

Prior to that, Mayer held several positions with Iowa State University in Ames, Iowa, including: associate director, North Central Regional Center for Rural Development (1971-72); associate professor, department of economics (1970-72); assistant professor, department of economics (1967-70); and several research positions (1961-67).

Mayer worked for the USDA's Statistical Reporting Service in Sacramento, Calif., during 1960-61. From 1959 until 1960, he was a research assistant with the economics department of Kansas State University in Manhattan.

Mayer is the author of several books and articles on agriculture and food policy, and has served as guest lecturer for the U.S. Information Agency and Department of State in India, Mexico, Brazil, Chile, the Caribbean and the Soviet Union.

A native of Clyde, Kansas, Mayer received his bachelor's and master's degrees in agricultural economics from Kansas State University in Manhattan. He and his wife and two children live in Alexandria, VA.

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USDA MARKET REPORTS AVAILABLE ON 24-HOUR INFOLINE

WASHINGTON, Oct. 26—Beginning Nov. 16, U.S. Department of Agriculture market news reports on a variety of commodities will be available to the public for 50 cents per call on a direct dial telephone line.

The phone number for the service is (900) 976-2303.

Mildred Thymian, administrator of USDA's Agricultural Marketing Service, said the new round-the-clock service will feature 55-second market reports which will change daily and be updated during normal business hours.

Market reporting, conducted by the Agricultural Marketing Service, is a program to collect and disseminate information on the price, supply, demand and movement of commodities.

"Our market news offices have used dial information systems before, but this is the first time that we have used a national 24-hour telephone line to issue market information," Thymian said. "This is a test project conducted in cooperation with the American Telephone and Telegraph Company at no cost to the government."

Commodities to be covered in the service include fruits, vegetables, cattle, hogs, beef, pork, eggs, poultry, dairy products and tobacco. Specific times allotted to each commodity will be published in USDA's regular market news reports.

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OFFICE OF RURAL DEVELOPMENT POLICY CREATED IN USDA

WASHINGTON, Oct. 27—Secretary of Agriculture John R. Block today announced the establishment of the Office of Rural Development Policy, which is designed to seek a "practical strategy for responding to the diverse problems and opportunities in rural America."

The new office staff previously was part of U.S. Department of Agriculture's Farmers Home Administration, but will now report directly to Frank W. Naylor, Jr., under secretary for small community and rural development. It will be headed by John C. McCarthy, who has been serving as deputy administrator for policy management and coordination at FmHa.

Block said that by elevating the rural development policy function to the under secretary's office, he hopes to ensure better integration of agricultural concerns and rural development.

"I feel that this action will help strengthen our performance in both of these areas," he said. "You can't separate agriculture from rural development. Nearly 700 counties continue to have agriculture as a principal source of personal income. At the same time, we have to understand that the actual business of farming does not dominate every rural community in this country.

"Rural development was assigned as a major USDA mission in the Agricultural Act of 1970. The Rural Development Act of 1972 reinforced this mandate, and the Rural Development Policy Act of 1980 restated the mandate and the secretary's role of providing leadership and coordination for national rural development efforts.

To carry out the provision of the Rural Development Policy Act of 1980, Block said he has directed the new office to develop a national strategy for:

- (1) Identifying emerging rural issues and needs on an ongoing basis,
- (2) Strengthening the state and local government role in rural development
- (3) Developing and implementing policy guidelines that can provide sound government program direction for service to rural America, and
- (4) Encouraging the private sector to expand their role in rural development.

"It will be a great challenge to ensure revitalization in ways that preserve the heritage of rural America," Block said. "I believe that the creativity, genius and private resources are there, waiting to be applied."

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USDA AMENDS REGULATIONS FOR IMPORTING WHEAT BYPRODUCTS FROM FOREIGN COUNTRIES

WASHINGTON, Oct. 27—On Nov. 30, the U.S. Department of Agriculture will amend wheat import regulations to prevent the introduction of foreign strains of flag smut—a destructive wheat disease—into the United States.

According to Frank Cooper, regulatory staff officer for USDA's Animal and Plant Health Inspection Service, the amendment will prohibit the entry of certain classes of seeds and plant products from 34 countries except for experimental or scientific purposes.

Cooper said these restrictions are necessary because there currently is no known milling or processing procedure which will completely destroy all flag smut spores to eliminate any chance of infection. He said foreign strains of flag smut could cause a substantial reduction in the yield of wheat if introduced into the U.S.

The countries involved are: Afghanistan, Algeria, Australia, Bangladesh, Bulgaria, Chile, People's Republic of China, Cyprus, Egypt, Falkland Islands, Greece, Guatemala, Hungary, India, Iran, Iraq, Israel, Italy, Japan, Korea, Libya, Morocco, Nepal, Oman, Pakistan, Portugal, Romania, Spain, Tanzania, Tunisia, Turkey, Republic of South Africa, Union of Soviet Socialist Republics and Venezuela.

Cooper said prohibited articles include most wheat byproducts such as straw, hulls, chaff, grain and bran. This, however, does not include wheat products used for manufactured, decorative or toy products since they do not present a risk of disease spread to wheat crops, he said.

The amendment is scheduled to be published in the Oct. 29 Federal Register. For further information, contact: Frank Cooper, Staff Officer, Regulatory Support Staff, Plant Protection and Quarantine, Animal and

Plant Health Inspection Service, U.S. Department of Agriculture, Rm. 635, Federal Building, 6505 Belcrest Rd., Hyattsville, Md., 20782.

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USDA PROPOSES AMENDMENT TO NURSERY STOCK IMPORT RULES

WASHINGTON, Oct. 27—The U.S. Department of Agriculture will hold a public hearing Nov. 12 in College Park, Md., on a proposal that would allow hyacinth plants growing in certain approved growing media to be imported into the U.S. from foreign countries.

The hearing will begin at 10 a.m. in the Terrapin Room at the Quality Inn, 7200 Baltimore Blvd., College Park, Md. 20740.

The proposed change would increase numbers of already growing hyacinth plants available for sale by retailers, said Tom Lanier, chief regulatory officer for USDA's Animal and Plant Health Inspection Service.

Currently, all hyacinths, except those from Canada, must be imported into the U.S. in bulb form—not growing in media—because of the risk of bringing in a number of plant pests, insects or diseases.

The proposal would allow bulbs established in certain specified pest-free growing media and grown under certain strict conditions to be shipped to the U.S. In addition, the shipments would be inspected before export and carry a certificate indicating freedom from pests and disease.

Written comments on the proposal may be submitted until Nov. 26 to T.J. Lanier, Regulatory Support Staff, USDA, APHIS, PPQ, Federal Center Building, Rm. 635, Hyattsville, Md., 20782.

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FEE INCREASE ADOPTED FOR VOLUNTARY RICE INSPECTION

WASHINGTON, Oct. 27—The U.S. Department of Agriculture announced today that fees for voluntary federal rice inspection services will be increased beginning Nov. 1.

Kenneth A. Gilles, administrator of USDA's Federal Grain Inspection Service, said rice inspection services are not required by law, but are provided on request from the industry.

He said the increase is necessary if the agency is to continue providing rice inspection services, and to bring fees as close as possible to costs of providing services, as required under the Agricultural Marketing Act of 1946.

Rice inspection fees were last raised 15 percent in August 1980, after being lowered 10 percent in 1977 and 10 percent in 1978. Gilles said the fee increase is being coupled with cost-saving measures to reduce costs of providing rice inspection services.

"We will continue to monitor rice inspection costs to maintain fees at the minimum level necessary to continue an effective program," Gilles said.

Applicants will be able to obtain rice inspection services at reduced rates by contracting with USDA to use a specified number of hours during specified periods. Contracting assures USDA of a constant workload, helps to determine the number of workers needed and reduces costs.

New fees for providing services under contract during regular weekly workdays are \$21.60 per hour, up from \$17. Contract services at night will be \$26 per hour, up from \$20.40, and \$30.60 per hour for holiday work, up from \$24.

Hourly fees for non-contract daytime service, Monday through Friday, will be \$28.80, up from \$21.60. Fees for night work will be \$33 per hour, up from \$24.80, and for holiday work will be \$37.60, up from \$28.20. The hourly rates include the cost of travel to perform the service.

USDA decided not to establish at this time a proposed priority non-contract inspection service at a higher fee. The special fee was meant to recover the costs of detailing workers from other offices under priority conditions.

The new fees were proposed July 21 and comments were considered before a final decision was reached.

Persons needing further information should contact the Regulations and Directives Management Staff, Rm. 1127 Auditors Bldg.,

USDA/FGIS, Washington, D.C. 20250. Phone: (202) 447-3910.

The new fees will be published in the Oct. 29 Federal Register.

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USDA SEEKS COMMENTS ON 1982 FLUE-CURED TOBACCO PROGRAM

WASHINGTON, Oct. 28—The U.S. Department of Agriculture is seeking public comments to help determine the national marketing quota for the 1982 crop of flue-cured tobacco.

As part of the comment process, USDA will hold two public meetings:

—Nov. 5, 10 a.m. to noon, Rural Development Center, U.S. Highway 41 North, Tifton, Ga.;

—Nov. 6, 9 a.m. to noon, Raleigh Civic Center, 500 Fayetteville St. Mall, Raleigh, N. C.

The 1982 quota will be based on estimated 1982 disappearance—which is estimated at 1,050 million pounds for the 1982 marketing year, according to Everett Rank, administrator of USDA's Agricultural Stabilization and Conservation Service.

Rank said USDA estimates the total 1982 supply at 3,116 million pounds. This is based on carryover stocks of 2,012 million pounds and an estimated marketing of 1,104 million pounds, as of July 1. The total supply figure excludes 24 million pounds USDA estimates will be marketed next year.

The 3,116 million pounds are 548 million pounds above the reserve supply level, which is now forecast at 2,568 million pounds. However, USDA is still studying any needed adjustment to be made in estimated disappearance before establishing the 1982 quota.

Written comment on the quota should be sent, by Nov. 13, to the director, price support and loan division, USDA-ASCS, P.O. Box 2415, Washington, D.C., 20013. All comments will be available for public inspection during regular business hours in room 3741-S.

For further information about the public meetings, contact

Raymond S. Fleming, chief, tobacco and peanuts branch, production adjustment division, USDA-ASCS, P.O. Box 2415, Washington, D.C., 20013. Phone (202) 447-4318.

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AGREEMENT SIGNED TO PROVIDE U.S. DAIRY PRODUCTS TO POLISH CHILDREN

WASHINGTON, Oct. 28—Secretary of Agriculture John R. Block announced that an agreement was signed today with HORTEX-POLCOOP, a Polish government agency, to provide U.S. dairy products from Commodity Credit Corporation stocks for use in a Polish government pre-school lunch program during the next year.

The agreement makes available 28,000 metric tons of butter, cheese and non-fat dry milk to about one million Polish pre-school children. The dairy commodities, valued at approximately \$31.6 million will be distributed to the children in a program of the Polish Ministry of Health, monitored by CARE, Inc.

Poland is experiencing food shortages that affect low-income and other nutritionally vulnerable groups such as school children, pregnant women, and older people. To help alleviate this situation, CARE, Inc., and the Polish government have agreed to cooperate in the pre-school lunch program.

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